

Venture Capital Authority (VCA)

Purpose

This venture capital program was initially funded in April of 2005 and received additional funding in April of 2010. The primary purpose being that the fund manager only make seed or early-stage investments in qualified businesses or qualified rural businesses, except that the VCA may allow a qualified investment in a qualified rural business that is not a seed or early-stage investment if the investment is appropriate and later-stage capital investments are not otherwise available to the qualified rural business. This program encourages new business development by making 50% of its funding available to establish a statewide venture capital fund, 25% to establish a rural venture capital fund and 25% to establish a distressed urban community venture capital fund.

Funding Source

Insurance premium tax credits (tax credits) of \$50 million in total from the state were sold to insurance companies with payments to be received on an annual basis and the proceeds were allocated to a fund manager on an annual basis. Colorado Fund I and Colorado Fund II were formed with these funds for investment in Colorado businesses. The fund manager can fund businesses by using debt, equity, or debt with a conversion option into equity. Once the business is determined to be generally eligible under the VCA statute, the fund manager has the final decision making authority as to whether to invest in such business.

Eligible Businesses (as defined by the Colorado VCA statute, policies and procedures)

Businesses must meet certain requirements to be eligible, including:

The business must be headquartered and have principal business operations in Colorado;

The business must be a small business concern as described in the small business size regulations of the SBA; and

The business must not be predominantly engaged in:

- Professional services provided by accountants, doctors, or lawyers;
- Banking or lending;
- Real estate development;
- Insurance;
- Oil and gas explorations;
- Direct gambling activities.

Requirements

The businesses must be able to supply all the information and certifications requested by the fund manager needed to comply with the VCA statute, limited partnership agreement, policies and procedures.

Terms

- The funding parameters are negotiable between the fund manager and the business.
- The funding range by the fund manager is generally between \$250,000 and \$3,375,000.
- The fund manager targets an individual investment size between \$500,000 and \$2,000,000.
- The fund manager may partner with other funding institutions if needed (such as banks, OEDIT, Business Loan Funds and/or other venture capital funds).

Process

Initially a business should contact the fund manager to inquire about submitting its information for consideration. The fund manager will then review the information submitted and decide if it will proceed with further analysis of the business. If the fund manager is interested in making an investment in the business, it will submit a determination statement of the business to the OEDIT for a compliance review. OEDIT will generally have 30 business days to determine whether the investment and the business meet the applicable eligibility requirements. If approved, the fund manager will have six months to make the investment before the approval is voided.

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